

Message Text

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TO USMISSION GENEVA PRIORITY

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FOLLOWING REPEATS STATE 150344 ACTION ACCRA INFO ABIDJAN BERN
BRASILIA LAGOS OTTAWA THE HAGUE YAOANDE EC BRUSSELS LONDON BONN
JUN 26TH

QUOTE

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: GHANAIAAN - U.S. DISCUSSIONS ON COCOA

REFS: (A) ACCRA 3449 (NOTAL); (B) STATE 136045 (NOTAL);

- (C) STATE 136354 (NOTAL); (D) LONDON 9200

1. BEGIN SUMMARY. ,A DELEGATION FROM GHANA, HEADED BY G.K.
AGAMA, FIRST DEPUTY CHIEF EXECUTIVE OF THE GHANA COCOA
MARKETING BOARD PAID A CALL ON REPRESENTATIVES OF DEPART-
MENTS OF STATE AND COMMERCE ON JUNE 20, 1975, TO DISCUSS
RENEGOTIATION OF THE COCOA AGREEMENT. THE CONVERSATION WAS
CONDUCTED IN GENERAL TERMS INVOLVING THE CONCERNS OF BOTH
GOVERNMENTS AND IT WAS AGREED THAT SPECIFIC ISSUES SHOULD

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BE DISCUSSED IN NEGOTIATING SESSIONS BEGINNING IN SEPTEMBER
IN GENEVA. AGAMA UNDERLINED GHANA'S FUNDAMENTAL INTEREST
IN U.S. MEMBERSHIP IN THE AGREEMENT AND STATED HIS PLEASURE
OVER THE U.S. INTENTION TO PARTICIPATE IN RENEGOTIATIONS.

OTHER MAJOR AREAS OF CONCERN BROUGHT UP BY THE GHANAIAAN DELEGATION INCLUDE A DISCUSSION OF THE PRICE RANGE OF THE AGREEMENT, METHODS OF ADJUSTING THIS PRICE RANGE, AND U.S. INSPECTION STANDARDS. END SUMMARY.

2. GHANAIAAN PARTICIPANTS IN THE DISCUSSION INCLUDED
G.K. AGAMA, JOSEPH BOATEN-KONADU (COMMERCIAL ATTACHE, N.Y.)

J. KLELAND (DIRECTOR, ECONOMIC AFFAIRS, MINISTRY OF FOREIGN AFFAIRS), M. DWAMENA (SECRETARY, GHANA COCOA MARKETING ASSOCIATION), AND M. AGYEMAN (MINISTER COUNSELOR - EMBASSY WASHINGTON). U.S. PARTICIPANTS INCLUDED JOHN J. INGERSOLL (INTERNATIONAL COMMODITIES OFFICE IN EB), PAUL PILKAUSKAS (TROPICAL PRODUCTS DIVISION), BERNIE ASCHER (COMMERCE DEPARTMENT) AND ROGER MCGUIRE (GHANA DESK).

3. PRICE RANGE - AGAMA STATED THAT INCREASED COSTS OF COCOA PRODUCTION (PARTICULARLY PRICE INCREASES IN IMPORTED INPUTS) REQUIRES A RISE IN THE PRICE RANGE OF THE CURRENT AGREEMENT TO ENSURE INCREASES IN PRODUCTION IN COMING YEARS. HE ALSO NOTED THAT THE PRODUCERS' PRICE IN GHANA HAS BEEN RAISED RECENTLY AND THAT INPUTS ARE SUBSIDIZED BY THE GOG FROM COCOA MARKETING BOARD EARNINGS WHICH ARE NOT PASSED ON TO FARMERS. THE U.S. RESPONSE EXPRESSED CONCERN FOR THE DECLINE IN U.S. COCOA CONSUMPTION DUE IN PART TO RECENT HIGH PRICES AND STATED THAT A PRICE RANGE INCOMPATIBLE WITH THE LONG RUN SUPPLY/DEMAND BALANCE COULD ONLY RESULT IN AN EVENTUAL BREAKDOWN OF THE AGREEMENT. THE POINT WAS MADE THAT THE AGREEMENT WOULD FAIL IF IT IGNORED THE LINK BETWEEN HIGH PRICES AND DECLINING CONSUMPTION. THE U.S. ALSO FELT THAT PRODUCER PRICES SHOULD NOT BE OVER INSULATED FROM THE WORLD PRICE OF COCOA SINCE INCREASED PRODUCTION DEPENDED ON SUFFICIENT INCENTIVES TO FARMERS.

4. AUTOMATIC ADJUSTMENT OF THE PRICE RANGE - THE GHANAIAAN DELEGATION OBLIQUELY REFERRED TO INDEXATION, LIMITED OFFICIAL USE
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STATING THAT THE PRICE RANGE SHOULD BE AUTOMATICALLY ADJUSTED TO REFLECT CHANGES IN UNDERLYING ECONOMIC FACTORS. THE U.S. PRESENTED SOME OF THE PRACTICAL PROBLEMS CONFRONTING AUTOMATIC PRICE ADJUSTMENT, AND NOTED THAT THE U.S. AND OTHER CONSUMER NATIONS HAVE MADE IT CLEAR THAT INDEXATION IS UNACCEPTABLE. U.S. OBJECTIONS TO PARTICIPATION IN AN AGREEMENT WITH A RIGID, MECHANICAL PRICE ADJUSTMENT MECHANISM WERE REITERATED.

5. TRANSFER OF RESOURCES - THE U.S. POINTED OUT THAT WE CONSIDER DAMPENING OF EXTREME PRICE FLUCTUATIONS AS THE PRIMARY PURPOSE OF THE AGREEMENT. AGAMA FELT THAT RE-

SOURCE TRANSFER AND PRICE STABILIZATION MAY BE LINKED. THE U.S. RECOGNIZED THAT RESOURCE TRANSFER MIGHT BE A SECONDARY EFFECT, BUT STATED SEVERAL TIMES THAT THE AGREEMENT SHOULD CONCENTRATE ON PRICE STABILITY AS ITS PRIMARY OBJECTIVE.

6. INSPECTION STANDARDS - GHANA FELT THAT COCOA INSPECTION STANDARDS SHOULD BE CLEARLY EXPLAINED TO PRODUCING COUNTRIES TO AVOID MISUNDERSTANDINGS. THE U.S. AGREED AND POINTED OUT THAT IN THE PAST THE U.S. HAS USED THE INTERNATIONAL COFFEE ORGANIZATION AS A FORUM TO EXPLAIN U.S. STANDARDS ON COFFEE.

7. U.S. PARTICIPANTS CAREFULLY POINTED OUT THE CONSTITUTIONAL PROCESSES INVOLVED IN U.S. CONSIDERATION OF PARTICIPATION IN ANY COCOA AGREEMENT, INVOLVING CONGRESSIONAL APPROVAL, IMPLEMENTING LEGISLATION AND SIMILAR REQUIREMENTS. THE IMPORTANCE OF U.S. INDUSTRY AND CONSUMER ATTITUDES TOWARD THE COCOA AGREEMENT WERE ALSO MENTIONED IN ORDER TO CLARIFY POINTS MADE BY U.S. PARTICIPANTS.

8. PARTICIPANTS AGREED THAT THE CONVERSATIONS PROVED USEFUL IN CLARIFYING WHERE WE ARE NOW ON COCOA AND WHERE WE MIGHT GO. KISSINGER
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